

NOTICE

Inquiry on Harvey Water Bulk Water Pricing

FINAL REPORT

The Treasurer, Mr Eric Ripper, today released the Economic Regulation Authority's final report on its inquiry into the level and structure of water storage charges to the South West Irrigation Cooperative (Harvey Water).

Mr Lyndon Rowe, the Authority's Chairman, said the seven-month inquiry – which was conducted at Mr Ripper's request – had resulted in 24 recommendations and findings.

"Overall, the Authority's recommendations strike an appropriate balance between encouraging appropriate use of an important resource and efficient investment in dam safety while ensuring South West irrigation water is affordable", Mr Rowe said.

On dam safety, "the Authority found several potential improvements in dam safety outcomes which could better align the dam safety programme with opportunities to improve life safety across the whole of Western Australia".

A copy of the [report](#) may be accessed on the Authority's web site.

Mr Rowe said the inquiry into water storage charges was the first of its kind and followed similar reviews by the Authority into urban and country water pricing. The 95-page report was the result of a rigorous analytical study that involved extensive consultation.

The storage charges are currently set as part of the Bulk Water Supply Agreement between the Water Corporation and Harvey Water. A new agreement will be completed following this inquiry.

The Terms of Reference also required the Authority to consider alternatives to the Australian National Committee on Large Dams (ANCOLD) Dam Safety Guidelines.

The Authority examined the appropriateness of the current approach to water storage charges and the merits of potential alternatives. The Authority found that the Corporation's proposed capital expenditure programme for its South West dams was almost entirely due to improved dam safety and that most of the proposed expenditure was justified under the ANCOLD Guidelines.

The Authority has presented two options for charging Harvey Water. The first was to apply the ANCOLD framework and pass to customers the costs of complying. A second option considered a wider portfolio of risks that face the Western Australian community. The dam safety costs associated with several dams would then be expected to be deferred in favour of more effective options for reducing risk of life elsewhere.

Under the first option, the total charge to Harvey Water irrigators would increase from an average of \$49 per ML to \$74 per ML (in real dollar values of 30 June 2006). Under the second option, the total charge would increase by a lesser amount to \$58 per ML.

Given that the costs attributed to Harvey Water were significantly higher than those which currently applied, the Authority considered that it would be appropriate to phase-in the additional charges over a reasonable period, such as 10 years.

Also, the Authority has recommended that the Government should establish the institutional capability to coordinate and prioritise safety expenditures within Government and for the community as a whole. This capability might be located in a central agency such as the Department of Treasury and Finance or a new body such as an Office of Public Safety.

The report's recommendations have been informed by a consultation process that included two opportunities for interested parties to provide written submissions. The Authority wishes to express its appreciation and to thank all stakeholders who contributed during the conduct of this inquiry.

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